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Message Text

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67
ACTION NEA-13

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 IGA-02 DRC-01 /141 W
---------- 065180
O R 231500Z JAN 74
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC IMMEDIATE 9213
AMCONSUL BOMBAY

LIMITED OFFICIAL USE NEW DELHI 1140

PLEASE PASS AID/W; BOMBAY FOR LANDE/GAASERUD

E.O. 11652: N/A
TAGS: EFIN, IML
SUBJ: RUPEES: PROPOSED ACCELERATION OF CERTAIN DISBURSEMENTS

REF: (AWA NEW DELHI 14455 (10 SEP 71) (B) STATE 175853 (23 SEP 71)

SUMMARY: IN CONNECTION WITH UPCOMING RUPEE AGREEMENT, GOI HAS REQUESTED THAT USAID REVIEW ITS PORTFOLIO OF PL 480 GRANTS TO GOI HAVING UNDISBURSED BALANCES, WITH OBJECTIVE OF PERMITTING ACCELERATED ADVANCEMENT TO GOI, WHEREVER POSSIBLE, OF THESE UNDISBURSED BALANCES. GOI REQUEST IS DESIGNED TO REDUCE SOMEWHAT THE AMOUNT OF USG RETAINED PL 480 RUPEES (IN THIS CASE ALREADY OBLIGATED RUPEES). THIS AMOUNT TURNED OUT, TO BE SO MUCH LARGER THAN GOI HAD REALIZED THAT GOI BELIEVED ITS SIZE MIGHT CAUSE CRITICISM. WE BELIEVE IT DESIREABLE THAT WE BE COOPERATIVE WITH GOI IN THIS REGARD AND FIND THAT ACCELERATED DISBURSEMENT OF RS 35.6 MILLION CAN BE EFFECTED. ACTION REQUESTED: CONCURRENCE IN OUR PROCEEDING WITH THESE ACCELERATED DISBURSEMENTS. END LIMITED OFFICIAL USE

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SUMMARY.

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1. AS WASHINGTON AGENCIES WILL RECALL, DURING LATE NOVEMBER/
EARLY DECEMBER GOI VOICED CONSIDERABLE CONCERN THAT USG
PLANNED TO RETAIN MORE THAN RS 200 MILLION IN PL 480 FUNDS TO
MEET FUTURE DISBURSEMENTS PURSUANT TO OBLIGATIONS:COMMITMENTS
ENTERED INTO PRIOR TO DATE OF RUPEE AGREEMENT. GOI FINALLY
ACCEPTED USG POSITION THAT WE ABSOLUTELY HAD TO RETAIN THESE
FUNDS AND COULD NOT ACCEDE TO GOI SUGGESTION THAT WE MEET THESE
OBLIGATIONS:COMMITMENTS IN WHOLE OR IN PART THROUGH USE OF NON-
PL 480 FUNDS (WHICH WOULD OF COURSE HAVE HAD TO BE APPROPRIATED
FOR SUCH PURPOSE).

2. CONCURRENTLY WITH ACCEPTING USG POSITION AS OUTLINED ABOVE,
GOI ASKED US TO CONSIDER SYMPATHETICALLY ACCELERATING DISBURSEMENT
ON OUTSTANDING PL 480 COUNTRY USE GRANTS TO GOI, THEREBY
REDUCING TO SOME SIGNIFICANT EXTENT OUR "OBLIGATED-BUT-UNDISBURSED"
PL 480 BALANCE FIGURE. GOI BELIEVES ANY SIGNIFICANT REDUCTION
IN THIS CATEGORY WOULD MAKE RUPEE AGREEMENT MORE ATTRACTIVE
FROM POINT OF VIEW OF INDIAN CONSUMPTION.

3. USAID HAS NOW GONE THROUGH ITS PORTFOLIO OF OUTSTANDING
GRANTS TO THE GOI AND CONCLUDES THAT RS 35.6 MILLION CAN
APPROPRIATELY BE DISBURSED IN ADVANCE OF NORMAL SCHEDULE. THIS
BREAKS DOWN INTO RS 29.4 MILLION UNDER 104(H) PROJECTS AND
RS 6.2 MILLION UNDER 104(K) PROJECTS. ALL TERMS AND CONDITIONS
OF PROJECT AGREEMENTS WOULD REMAIN THE SAME AS TO THOSE
PROJECTS (THE CLEAR MAJORITY) WHERE IMPLEMENTATION HAS BEEN
SATISFACTORY AND WHERE GOI DESIRES CONTINUATION; AS TO THESE,
WE WOULD SIMPLY AMEND PROJECT AGREEMENTS TO PERMIT ADVANCE OF
THE REMAINING FUNDS TO THE GOI (ADVANCES HAVE BEEN QUITE COMMON
ON SEVERAL OF THESE PROJECTS ANYWAY) AND WOULD GET A SUBSEQUENT
ACCOUNTING. AS TO THOSE PROJECTS (FRUITS AND VEGETABLE SURVEY AND
RICE PROCESSING ENGINEERING CENTER) WHERE IMPLEMENTATION HAS
BEEN DELAYED AND GOI HAS INDICATED LACK OF INTEREST IN CONTINUA-
TION, PROJECTS WOULD BE TERMINATED AND FUNDS (RS 6.6 MILLION)
APPLIED TO CHILDREN'S CHARTER PROJECT TO EXTENT GOI EXPENDITURES
HAVE EXCEEDED AID GRANT.

4.NO PROBLEMS ARE APPARENT TO US IN PROCEEDING WITH GOI
AS OUTLINED ABOVE. OUR RATIONALE IS AS FOLLOWS:
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(A) PROJECTS IN QUESTION WE VIEW AS SUBSTANTIALLY BUDGET
SUPPORT ONES, AS TO WHICH M.O. 1514.2 PERMITS WAIVER OF
NORMAL REQUIREMENT FOR REIMBURSEMENT FINANCING.
(B) ACCELERATED DISBURSEMENT AS RECORDS THESE RELATIVELY
FEW AND SMALL-VALUE PROJECTS WOULD APPEAR TO US CONSISTENT
WITH CONCEPT OF IMMEDIATE DISBURSEMENT AS REGARDS UPCOMING
HUGE DEVELOPMENT GRANT TO GOI (RS 1.64 BILLION).
(C) IT WOULD APPEAR TO US CONSISTENT WITH INTENT OF REFERENCES

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FOR US TO ALLOCATE ADDITIONAL FUNDS, NOT EXCEEDING RS 245.4 MILLION, TO CHILDREN'S CHARTER PROJECT FROM FUNDS PRESENTLY ALLOCATED TO PROJECTS NO LONGER DESIRED BY GOI. IN OTHER WORDS, REF A, CONCURRED IN BY REF B, PROPOSED THAT WE GO UP TO RS 84.9 MILLION FOR CHILDREN'S CHARTER PROJECT AND SINCE ONLY RS 59.5 MILLION HAS IN FACT BEEN ALLOCATED TO THAT PROJECT, WE WOULD ADVANCE CASE THAT RELEASED 104(H) FUNDS COULD BE ALLOCATED TO CHILDREN'S CHARTER PROJECT SO LONG AS TOTAL CONTRIBUTION TO LATTER DOES NOT THEREBY EXCEED RS 84.9 MILLION. WITH ADDITIONAL CONTRIBUTION TO CHILDREN'S CHARTER OF RS 6.6 MILLION, WE WOULD HAVE CONTRIBUTED A TOTAL OF RS 66.1 MILLION TO THAT PROJECT I.E., WELL WITHIN WHAT WE VIEW AS THE RS 84.9 MILLION CEILING.

5. PLEASE ADVISE PROMPTLY WHETHER ANY PROBLEM FORESEEN WITH OUR PLANING AS OUTLINED ABOVE. UNLESS YOU PERCEIVE OBJECTION, WE PLAN TO MOVE FORWARD WITH PAPERWORK ON THIS, FOR EXECUTION/IMPLEMENTATION IN ADVANCE OF RUPEE AGREEMENT.

DECONTROL 1/23/75.
SCHNEIDER

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